

**TOWNSHIP OF ROSCOMMON
ROSCOMMON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ROSCOMMON TOWNSHIP	County ROSCOMMON
Fiscal Year End MARCH 31, 2006	Opinion Date MAY 19, 2006	Date Audit Report Submitted to State AUGUST 2, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

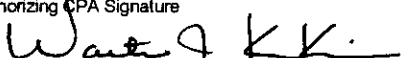
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) KESKINE, COOK, MILLER & ALEXANDER		Telephone Number (989) 732-7515	
Street Address 100 WEST FIRST STREET		City GAYLORD	State MI
Authorizing CPA Signature 		Printed Name WALT KESKINE, CPA	Zip 49735
		License Number 1101008795	

Township Officials

Supervisor

Diane Randall

Clerk

Barbara Stevenson

Deputy Clerk

Andee Heistand

Treasurer

Mary Ann Hose

Deputy Treasurer

Kathy Lewis

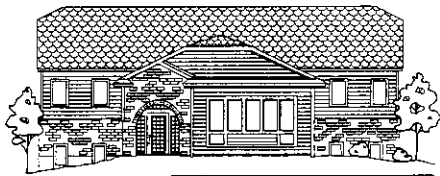
Trustees

Thomas Akin

Richard Pastula

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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
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INDEPENDENT AUDITOR'S REPORT

May 19, 2006

To the Township Board
Roscommon Township
Roscommon County, Michigan

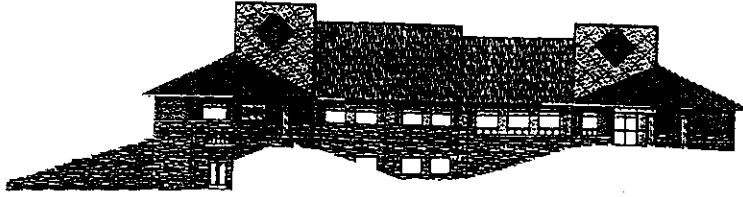
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Roscommon, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Roscommon as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-7 and budgetary comparison information on pages 34-40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

K. Keskin, Cook, Miller & Alexander LLP
KESKIN, COOK, MILLER & ALEXANDER, LLP



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**TOWNSHIP OF ROSCOMMON
MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED MARCH 31, 2006**

This section of Roscommon Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status improved over the last year. Assets at March 31, 2006 totaled approximately \$3,200,000 for governmental activities and \$6,400,000 for business-type activities. Of these totals, approximately \$2,000,000 and 3,000,000, respectively, represent capital assets net of depreciation.

Revenues derived from governmental activities were approximately \$1,300,000 (approximately \$200,000 from program revenues and \$1,100,000 from general revenues). Overall expenses for the Township's governmental activities approximated \$1,000,000.

Revenues derived from business-type activities totaled approximately \$500,000 (approximately \$400,000 from user charges and approximately \$100,000 from general revenues). Expenditures were approximately \$300,000.

Governmental Activities net assets increased by approximately \$22700 to total approximately \$3,210,000 as of March 31, 2006 and Business-type activities net assets increased by approximately \$163,000 to total approximately \$6,384,000 at March 31, 2006.

The Township incurred no new debt instruments during the year and retired one note payable fully. The Township purchased approximately \$92,000 in capital assets. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

The following table shows, in condensed format, the approximate net assets as of March 31, 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current assets	\$ 1,457,000	\$ 1,516,000	\$ 3,299,000	\$ 2,984,000	\$ 4,756,000	\$ 4,500,000
Noncurrent assets	2,263,000	2,179,000	3,085,000	3,248,000	5,348,000	5,427,000
Total assets	3,720,000	3,695,000	6,384,000	6,232,000	10,104,000	9,927,000
Liabilities						
Current liabilities	9,000	215,000	-	-	9,000	215,000
Long-term liabilities	501,000	566,000	-	-	501,000	566,000
Total liabilities	510,000	781,000	-	-	510,000	781,000
Net Assets						
Invested in capital assets -						
net of related debt	1,962,000	1,466,000	2,938,000	2,998,000	4,900,000	4,464,000
Restricted	932,000	971,000	-	-	932,000	971,000
Unrestricted	316,000	477,000	3,446,000	3,234,000	3,762,000	3,711,000
Total net assets	\$ 3,210,000	\$ 2,914,000	\$ 6,384,000	\$ 6,232,000	\$ 9,594,000	\$ 9,146,000

The current level of unrestricted net assets for our governmental activities stands at approximately \$316,000 or 31% of annual expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Township, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General, Ambulance, Houghton Lake Ambulance Service, Fire Operating, Fire Equipment, Trash and Roads Funds. Sewer utility activities are treated as business-type activities where the revenues of the activity are designed to pay for the operations of the activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds: Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

Enterprise Funds: These funds represent activities in the government which are basically treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operations of the activity. These funds are presented on a full accrual method and will show no difference between the Township's government-wide statements and fund statements presentation.

Fiduciary Funds: The Township is a trustee or fiduciary for assets that belong to others. The Township maintains these funds and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's net assets – governmental activities increased approximately \$227,000 during the year to total \$3,210,413. Net assets for business-type activities increased approximately \$163,000 to total \$6,384,170.

Governmental Activities: The increase in net assets for governmental activities is due largely to modest increases in property tax revenue.

Business Type Activities: The increase in net assets for business-type activities can be attributed to an increase in usage fees of approximately \$60,000 over the year ended March 31, 2005 as the quarterly usage rate was increased by \$5 per quarter and overall usage increased.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund – This fund is used to record all activities of the Township not required to be recorded in a separate fund. The major source of revenue for the general fund is from the Township tax base, and revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Township.

Fire Operating Fund – This fund is used to account for the financial activities of the fire department. Revenues are derived primarily from property taxes collected for fire protection services.

Fire Equipment – This fund is used to account for the purchase of fire equipment. Funding comes from an addition of fire equipment property tax levy.

Trash Collection Fund – This fund is used to account for all financial transactions related to the Trash Collection service provided by the Township. Revenues are derived from property tax assessments.

Roads Fund – This fund is used to account for financial transactions related to the repair and maintenance of the Township's roads. Revenues consist mainly of property taxes.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets:

Total Township capital asset additions for the year totaled \$91,515. Major purchases included approximately \$23,000 in fire department equipment, approximately \$19,000 in computer equipment and furniture for the Township employees, and approximately \$45,000 in land on School Road for a potential new fire hall.

Long Term Debt:

Approximately \$212,000 of debt was retired during the current year through the scheduled payments and extra principal payments for the Township's debt. Total debt as of March 31, 2006 totals approximately \$501,000 of which approximately \$200,000 is inter-fund borrowing between the Sewer Fund and the Road Fund which enables the Township to loan money but pay interest to ourselves.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Roscommon Township Parks and Recreation Master Plan 2006-2011:

The main responsibility for Township parks and recreation facilities has been the responsibility of the Township Board. However, with the increased demand for services and the complexity in Township government today, recreational services and the supervision of facilities needs the attention of a separate entity.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS (CONTINUED)

Roscommon Township Parks and Recreation Master Plan 2006-2011 (Continued):

Therefore, the Roscommon Township Board has established citizen's advisory committee made up of a cross section of interested citizens to compile this report and to make recommendations for an appropriate administrative structure with respect to program implementation.

The Plan's format and design meets Michigan Natural Resources Trust Fund and federal Land and Water Conservation Fund eligibility and the Township will be seeking grants from these sources in 2007.

Houghton Lake Improvement Board:

The Houghton Lake Improvement Board held a public hearing to receive public comment on the practicability of a five year management plan for Houghton Lake. The proposed plan includes: Aquatic Plant Control, Water Quality and Vegetation Monitoring, Watershed Management, Information Dissemination and Education and Fisheries Management. The Township does not financially contribute to the Houghton Lake Improvement Board, but the assessment district does include Roscommon Township residents in addition to Lake, Markey, and Denton Township residents.

M-55 Corridor Master Plan:

This plan creates a partnership between Denton Township, Roscommon Township, MDOT and the Roscommon County Road Commission which also requires the planning commissions, Township Boards, Zoning Board of Appeals and road agencies be aware of access management standards and their role in implementation. This Zoning Overlay may require additional meetings, hearings and possible professional advice to assist the implementation of this plan.

The Houghton Lake Sewer Authority:

The Houghton Lake Sewer Authority (comprised of Lake, Roscommon and Denton Townships) operates an aerated lagoon wastewater treatment system located on Harrison Road. The plant property is located in Section 9 of Roscommon Township, Roscommon County, Michigan. The plant operates under a Michigan Department of Environmental Quality discharge permit which has been extended.

In November 2004, the MDEQ issued a Notice of Noncompliance to the Authority. The Notice required the Authority to develop a Corrective Action Plan for the noted deficiencies. Gosling Czubak Engineering Sciences, Inc. of Traverse City were contacted to investigate the causes of the past deficiencies, analyze alternatives, and propose a scientific corrective action plan for the Authority. As a result of the MDEQ comments on the draft Project Plan for the Authority, additional investigations have been performed to evaluate the integrity of existing lagoon #3. The investigation revealed that a new liner system is required for lagoon #3. The Sewer Authority has applied to the State Revolving Fund for funds to implement the upgrades and a final public hearing will be held on August 15, 2006. With the costs of lagoon #3 included, a revised capital cost will be \$10,108,000. Roscommon Township may use some of its Sewer Reserve Funds to help off-set this cost to our residents.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS (CONTINUED)

Roscommon Township Fire Hall:

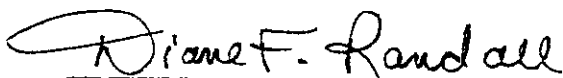
The Township has purchased a four acre parcel for the proposed Roscommon Township Fire Department Hall. A joint meeting between the Board and the Fire Department next year will start the process of the development of a new facility.

Michigan's Economy:

Roscommon Township faces challenging times ahead with Michigan noted as having the highest rate of unemployment in the Nation. Already, we have seen two large employers in our Township close – 84 Lumber and the Carter's Food Service. A new strip mall that was completed in 2005 remains empty. Residential homes for sale have hit a new record high in our Township. The average time on the market for residential properties in Roscommon Township may reach 2 years. The issuing of building permits have declined significantly in 2006. Our State Shared Revenue which is based upon sales tax in the State of Michigan has been declining over the years. Roscommon Township receives a diminutive amount in statutory funding.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Ms. Diane Randall, Supervisor, at 8555 Knapp Road, P.O. Box 610, Houghton Lake, MI 48629, or by calling (989) 422-4093 during the hours of 8:30 AM to 4:00 PM.



Ms. Diane Randall, Township Supervisor

**TOWNSHIP OF ROSCOMMON
STATEMENT OF NET ASSETS
MARCH 31, 2006**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 1,356,907	\$ 1,429,582	\$ 2,786,489
Investments	-	1,508,001	1,508,001
Receivables:			
Accounts, net of allowance	9,699	171,942	181,641
Special assessments receivable	-	126,411	126,411
Delinquent taxes	89,983	-	89,983
Interest receivable	-	11,153	11,153
Long-term receivables due within one year	-	52,015	52,015
Long-term receivables due in more than one year	-	147,485	147,485
Capital assets not being depreciated	1,020,910	-	1,020,910
Capital assets being depreciated, net	1,242,557	2,937,581	4,180,138
Total assets	3,720,056	6,384,170	10,104,226
Liabilities			
Accounts payable	2,795	-	2,795
Accrued interest	5,986	-	5,986
Long-term debt:			
Due within one year	123,354	-	123,354
Due in more than one year	377,508	-	377,508
Total liabilities	509,643	-	509,643
Net Assets			
Invested in capital assets, net of related debt	1,962,103	2,937,581	4,899,684
Restricted for:			
Fire protection	440,317	-	440,317
Fire equipment	64,852	-	64,852
Trash collection	243,129	-	243,129
Road repair and maintenance	183,451	-	183,451
Sewer utilities	-	3,446,589	3,446,589
Unrestricted	316,561	-	316,561
Total net assets	\$ 3,210,413	\$ 6,384,170	\$ 9,594,583

See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006**

		P r o g r a m R e v e n u e s			Net (Expense) / Revenues and Changes in Net Assets		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:	Expenses						
	\$	290,229	\$	\$	\$	\$	
	General government	63,149	-	-	(227,080)	-	(227,080)
	Public safety	209,934	2,000	-	(195,814)	-	(195,814)
	Public works	187,567	-	-	(172,607)	-	(172,607)
	Health and welfare	229,031	-	-	(216,011)	-	(216,011)
	Airport	10,404	-	-	(7,294)	-	(7,294)
	Recreation and culture	20,548	-	-	(20,548)	-	(20,548)
	Building Agency	66,401	-	-	-	-	-
	Interest on long-term debt	23,067	-	-	(23,067)	-	(23,067)
Total governmental activities		1,037,181	2,000	-	(862,421)	-	(862,421)
Business-type Activities:	Sewer utilities	315,136	-	-	-	58,351	58,351
	Total primary government	1,352,317	2,000	-	(862,421)	58,351	(804,070)
General Revenue							
Property Taxes					686,031	-	686,031
State of Michigan swamp tax					45,782	-	45,782
State shared revenues (not restricted to a specific purpose)					301,690	-	301,690
Interest income					34,854	110,355	145,209
Other					21,251	(5,750)	15,501
Total general revenues					1,089,608	104,605	1,194,213
Change in net assets before transfers to other governments					227,187	162,956	390,143
Transfers to other governments					(98)	-	(98)
Change in Net Assets					227,089	162,956	390,045
Net Assets - Beginning of Year (As Restated)					2,983,324	6,232,603	9,215,927
Change in unrealized loss on investments					-	(11,389)	(8,921)
Net Assets - End of Year					\$ 3,210,413	\$ 6,384,170	\$ 9,594,583

See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006**

		<u>Major Governmental Funds</u>				<u>Non-major Funds</u>		
	<u>General</u>	<u>Fire Operating</u>	<u>Trash</u>	<u>Roads</u>	<u>Fire Equipment</u>	<u>Ambulance</u>	<u>Total</u>	
Assets								
Cash and investments	\$ 493,916	\$ 416,253	\$ 214,337	\$ 175,391	\$ 57,010	\$ -	\$	1,356,907
Receivables:								
Delinquent taxes	21,225	24,064	28,792	8,060	7,842	-	-	89,983
Due from tax collection fund	4,985	-	-	-	-	-	-	4,985
Other receivables	4,714	-	-	-	-	-	-	4,714
Total assets	\$ 524,840	\$ 440,317	\$ 243,129	\$ 183,451	\$ 64,852	\$ -	\$	1,456,589
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 2,795	\$ -	\$ -	\$ -	\$ -	\$ -	\$	2,795
Fund Balances:								
Fund Balances -								
Undesignated	499,665	440,317	243,129	183,451	64,852	-	-	1,431,414
Designated	22,380	-	-	-	-	-	-	22,380
Total fund balances	522,045	440,317	243,129	183,451	64,852	-	-	1,453,794
Total liabilities and fund balances	\$ 524,840	\$ 440,317	\$ 243,129	\$ 183,451	\$ 64,852	\$ -	\$	1,456,589

See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006**

Total Fund Balance - Governmental Funds (per balance sheet - page 10)	\$ 1,453,794
Amounts reported for governmental activities in the Statement of Net Assets (page 8) are different because:	
Capital assets used in governmental activities are not financial resources and therefore not recorded in the funds	2,263,467
Long-term liabilities, including notes and interest payable are not due and payable in the current period and therefore are not reported in the funds	(500,862)
Accrued interest is not due and payable in the current period and is not reported in the funds	(5,986)
Total Net Assets - Governmental Activities (per Statement of Net Assets - page 8)	\$ 3,210,413

See accompanying notes to financial statements.

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See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006**

Net Change in Fund Balances - Governmental Activities (Page 12) \$ (3,301)

Amounts reported for governmental activities in the Statement of
Activities (page 9) are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives	91,515
Depreciation expense, recorded in the statement of activities but not the fund financial statements	(76,452)
Accrued interest not paid within the current period is not reported in the funds	3,234
Governmental funds do not record long-term debt; therefore, debt service payments are recorded as an expenditure. However, in the government-wide statements, long-term debt is recorded and debt service payments are applied against the outstanding balances	212,093

Change in Net Assets of Governmental Activities - page 9	\$	227,089
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See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
STATEMENT OF FUND NET ASSETS
SEWER FUND
MARCH 31, 2006**

	Assets	Sewer Fund
Current Assets:		
Cash		\$ 1,429,582
Investments		1,508,001
Receivables:		
Accounts		156,034
Accrued interest		11,153
Special assessments		126,411
Due from tax collection fund		15,908
Note receivable from general fund - current portion		52,015
		<hr/>
Total current assets		3,299,104
Non-Current Assets:		
Note receivable from general fund - non-current portion		147,485
Capital assets		4,505,919
Construction in Progress		-
Accumulated depreciation		(1,568,338)
		<hr/>
Total non-current assets		3,085,066
		<hr/>
Total assets		6,384,170
		<hr/>
	Net Assets	
Invested in capital assets		2,937,581
Restricted for sewer utilities		3,466,899
Unrealized loss on investments		(20,310)
		<hr/>
Total net assets		\$ 6,384,170
		<hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
SEWER FUND
YEAR ENDED MARCH 31, 2006**

	Sewer Fund
Operating Revenue	
Usage fees	\$ 352,387
Capacity fees	21,100
	<hr/>
Total operating revenue	373,487
 Operating Expense	
Houghton Lake Sewer Authority	243,418
Professional services	2,400
Miscellaneous expenses	8,345
Depreciation expense	60,973
	<hr/>
Total operating expense	315,136
	<hr/>
Operating Income	58,351
 Nonoperating Revenue (Expense):	
Realized loss on investments	(5,750)
Interest income	110,355
	<hr/>
Total nonoperating revenue	104,605
	<hr/>
 Change in Net Assets	162,956
 Net Assets - Beginning of Year	6,232,603
Change in Unrealized Loss on Investments	(11,389)
	<hr/>
Net Assets - End of Year	<u><u>\$ 6,384,170</u></u>

See accompanying notes to financial statements

**TOWNSHIP OF ROSCOMMON
STATEMENT OF CASH FLOWS
SEWER FUND
YEAR ENDED MARCH 31, 2006**

Cash flows from operating activities:	
Cash received from customers	\$ 358,582
Cash payments to employees and professional contractors for services	(254,163)
Net cash provided by operating activities	<u>104,419</u>
Cash flows from non-capital financing activities:	
Receipts under interfund loan agreements	129,421
Cash flows from capital and related financing activities:	
Special assessment receipts	23,961
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	197,291
Investment income	110,596
Net cash provided by investing activities	<u>307,887</u>
Net Increase in cash and cash equivalents	<u>565,688</u>
Cash and cash equivalents at April 1, 2005	<u>863,894</u>
Cash and cash equivalents at March 31, 2006	<u><u>\$ 1,429,582</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 162,956
Adjustment to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	60,973
Decrease in accounts receivable and interfund loans	(119,510)
Net cash provided by operating activities	<u><u>\$ 104,419</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
MARCH 31, 2006**

Assets

Cash	\$	21,917
Delinquent taxes receivable		-
Total assets	\$	21,917

Liabilities

Due to other funds	\$	20,893
Due to other governments		1,024
Total liabilities	\$	21,917

See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 1: ENTITY

The Township of Roscommon is a general law township of the State of Michigan, located in Roscommon County, Michigan. The Township of Roscommon operates under an elected Board and provides services to its residents in many areas including law enforcement, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Roscommon Township.

HOUGHTON LAKE SEWER AUTHORITY

The Townships of Roscommon, Denton and Lake (Roscommon County) formed the Houghton Lake Sewer Authority in 1973 for the purpose of operating, maintaining, administering and managing a sanitary sewage facility for the benefit of the aforementioned three townships and for any other township municipality which hereafter joins in and becomes a part of such sewer and the related agreement all for the betterment of the health, safety, economy and general welfare of the participating municipalities. The authority is audited and submitted under separate cover (as a joint venture). Roscommon Township's share of the Sewer Authority's activities are recorded in the Sewer Fund.

Pursuant to the formation of the Authority, the Roscommon County Department of the Public Works issued \$2,420,000 of bonds, whereupon each township assumed the responsibility of reimbursing the County for their respective share of the total bonds issued. These bonds have been fully retired. Denton and Lake Townships subsequently issued additional bonded debt to finance additions to the system, which are still outstanding.

Ownership of the public sanitary sewer system will remain with the Roscommon County Department of Public Works until all outstanding bonds issued by said department of the County of Roscommon (pertaining to the system) have been retired. Thereafter, all portions of the system shall become the property of the respective municipalities. The system is to be operated for the benefit of said participating municipalities both jointly and severally.

HOUGHTON LAKE BUILDING AGENCY

The Houghton Lake Building Agency operates in several Townships. Roscommon Township's portion of the Agency's activities are recorded in the General Fund.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Roscommon Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities for the year.

The accounting policies of Roscommon Township conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund – This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state grants, interest, and other intergovernmental revenues.

Fire Operating Fund – This fund is used to account for the financial activities of the fire department. Revenues are derived primarily from property taxes collected for fire protection services.

Trash Collection Fund – This fund is used to account for all financial transactions related to the Trash Collection service provided by the Township. Revenues are derived from property tax assessments.

Roads – This fund is used to account for road maintenance and improvements. Revenues are derived primarily from a property taxes collected for road maintenance and improvements.

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Township reports the Sewer Fund as an enterprise fund.

Fiduciary Fund

Fiduciary funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township maintains a tax collection fund in this category.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Property Taxes:

The property tax calendar is as follows:

Levy Dates	July 1, 2005	(summer collection)
	December 1, 2005	(winter collection)
Due Dates	September 15, 2005	(summer collection)
	February 15, 2006	(winter collection)

The real property tax rolls were turned over to the County of Roscommon on March 1, 2006. Collection of personal property taxes remains the responsibility of the Township. Amounts collected after the due date are assessed interest and/or penalty provisions. A county revolving fund normally pays the balance of the Township's real property tax levy by May 31. The entire Township levy is recorded as revenue in the current year.

The tax rates for the year ended March 31, 2006, were as follows:

<u>Purpose</u>	<u>Rate / Assessed Valuation</u>
General	1.3009 per \$1,000
Fire - Operating	1.4564 per \$1,000
Fire - Equipment	0.4746 per \$1,000
Road	0.4878 per \$1,000
Trash	Assessment

Proprietary Fund Financial Statements

Operating income reported in proprietary fund financial includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. The proprietary fund financial statements report using the full accrual method of accounting.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in the respective fund financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

The following ranges are proposed as guidelines in estimating useful lives for asset reporting:

Building improvements	25 – 40
Land improvements	10 – 20
Machinery & equipment	5 – 10
Vehicles	10 – 15

Land and construction in progress are not depreciated.

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Otherwise, the cost should be expensed as repair and maintenance.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The Board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. The budgets presented are the final amended amounts. Budgets close on March 31st each year.

For the fiscal year ended March 31, 2006, the Township experienced no over expenditures.

USE OF ESTIMATES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated three banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 is in compliance with statutory authority.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

The Township of Roscommon uses a common banking account to pool cash funds and enhance investment earnings. The various funds equity at March 31, 2006, is as follows:

	<u>Common Checking</u>
General Fund	\$ 6,866
Road Fund	492
Fire Operating Fund	1,611
Fire Equipment Fund	1,311
Trash Fund	3,601
	<u>\$ 13,881</u>

Interfund borrowings are common and normally short term in nature. The investments are cashed if necessary to eliminate negative balances.

At March 31, 2006, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 1,356,907	\$ 1,429,582	\$ 21,917	\$ 2,808,406
Investments	-	1,508,001	-	1,508,001
	<u>\$ 1,356,907</u>	<u>\$ 2,937,583</u>	<u>\$ 21,917</u>	<u>\$ 4,316,407</u>

The breakdown between deposits and investments for the Township is as follows:

	<u>Primary Government</u>
Bank deposits (checking accounts and savings accounts)	\$ 38,836
Bank money market accounts	2,769,420
Certificates of deposit	256,209
Investments in bonds	1,251,792
Petty cash	150
	<u>\$ 4,316,407</u>

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits

The bank balance of the Township's deposits is \$3,212,829, of which approximately \$277,546 is covered by federal depository insurance and \$2,935,283 is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

The Township is authorized by Michigan Public Act 20 of 1943, as amended, to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances, and investment pools that are composed of authorized investment vehicles.

Investments are categorized into these three categories of credit risk:

- (1) Insured or securities held by the Township or the Township's agent in the Township's name.
- (2) Uninsured with securities held by the counter party's trust department or its agent in the Township's name.
- (3) Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

Certificates of deposit are stated at cost, which approximates fair market value. Bonds are stated at fair market value. Investments consist of securities with original maturities in excess of 90 days. Balances at March 31, 2006, consist of the following:

	1	Category 2	3	Carrying Amount
Certificates of deposit	\$ -	\$ 256,209	\$ -	\$ 256,209
Bonds	-	1,251,792	-	1,251,792
Total Investments	<u>\$ -</u>	<u>\$ 1,508,001</u>	<u>\$ -</u>	<u>\$ 1,508,001</u>

Investing is performed in accordance with a Township investment policy, complying with state statutes.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

During the year ended March 31, 2006, the Township realized a net loss of \$5,750 from the sale of bond investments. The calculation of realized gains / losses are independent of the calculation of the net increase / decrease in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The unrealized loss on bond investments held at year-end was \$11,389 and is reported on the Sewer Fund's Statement of Net Assets as an adjustment to net assets.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable at March 31, 2006 consists of the following:

Delinquent property taxes to be received from the County:

General	\$ 21,225
Fire Operating	24,064
Fire Equipment	7,842
Trash	28,792
Roads	8,060
Total	<u>\$ 89,983</u>

Customer accounts receivable – Sewer Fund:

Due from Houghton Lake Sewer Authority - Current	\$ 21,958
Delinquent balances turned over to County	18,388
Due from tax collection fund	15,908
Due from customers:	
Current	92,250
30 - 90 days	14,129
Over 90 days	6,873
Interest	2,436
Total	<u>\$ 171,942</u>

Customer accounts are managed and collected by the Houghton Lake Sewer Authority. No allowance for doubtful accounts is required since delinquent accounts are added annually to the tax rolls and become liens on the property.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 4: ACCOUNTS RECEIVABLE (CONTINUED)

Sewer special assessments receivable:

The Township has levied special assessments on new properties hooking into the sewer system based on front footage to finance additions and to maintain the system. Such assessments are collected over a 15-20 year period

\$ 126,411

NOTE 5: CAPITAL ASSETS

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 975,910	\$ 45,000	\$ -	\$ 1,020,910
Capital assets being depreciated				
Buildings and grounds	970,603	3,707	-	974,310
Vehicles	700,119	-	-	700,119
Machinery and equipment	129,303	25,505	-	154,808
Furniture and fixtures	16,602	11,103	-	27,705
Computer equipment	47,504	6,200	6,314	47,390
Subtotal	1,864,131	46,515	6,314	1,904,332
Accumulated Depreciation				
Buildings and grounds	212,993	19,666	-	232,659
Vehicles	299,979	35,006	-	334,985
Machinery and equipment	58,025	12,556	-	70,581
Furniture and fixtures	736	1,429	-	2,165
Computer equipment	19,904	7,795	6,314	21,385
Subtotal	591,637	76,452	6,314	661,775
Net capital assets being depreciated	1,272,494	(29,937)	-	1,242,557
Net capital assets	<u>\$ 2,248,404</u>	<u>\$ 15,063</u>	<u>\$ -</u>	<u>\$ 2,263,467</u>

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 5: CAPITAL ASSETS (CONTINUED)

Business-type Activities	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Capital assets not being depreciated:				
Land	\$ 11,126	\$ -	\$ -	\$ 11,126
Capital assets being depreciated:				
Machinery and equipment	4,494,792	-	-	4,494,792
Accumulated depreciation:				
Machinery and equipment	1,507,365	60,972	-	1,568,337
Net capital assets being depreciated	2,987,427	(60,972)	-	2,926,455
Net capital assets	<u>\$ 2,998,553</u>	<u>\$ (60,972)</u>	<u>\$ -</u>	<u>\$ 2,937,581</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities		Business-type Activities	
General government	\$ 22,244	Sewer utilities	<u>\$ 60,972</u>
Public safety	43,568		
Health and welfare	4,360		
Airport	2,675		
Recreation and culture	3,605		
Total	<u>\$ 76,452</u>		

NOTE 6: LONG-TERM DEBT

The Township is obligated for the following debt instruments:

SEWER / ROAD IMPROVEMENT NOTE 2

In April 2004, the Sewer fund loaned Roscommon Township \$250,000 for road improvements. The note is to be paid by the General Fund in annual installments of \$58,000 including interest at 3.00% through April, 2009. The balance of the note as of March 31, 2006 is \$199,500.

FIRE TRUCK NOTE

In June 2001, Roscommon Township entered into an installment purchase contract with Bank One for \$260,000 which is to be paid directly from the Township's Fire Equipment Fund in monthly installments of \$4,136, including interest at 4.57% through July, 2007. The balance of the note at March 31, 2006 is \$49,730.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 6: LONG-TERM DEBT (CONTINUED)

PARK NOTE

In March 2006, Roscommon Township entered into a land contract purchase contract with Chase Equipment Leasing for \$275,000 to purchase a parcel of Houghton Lakeshore property to construct a Township park. The loan is repayable in annual installments of \$34,294, including interest at 4.23% through March 2015. The balance of the note at March 31, 2006 is \$251,632.

The following is a summary of the debt outstanding of the Township as of March 31, 2006:

Governmental Activities	Balance April 1, 2005	Issued	Retired	Balance March 31, 2006
Sewer / Road Note 1	\$ 78,921	\$ -	\$ 78,921	\$ -
Sewer / Road Note 2	250,000	-	50,500	199,500
Fire Truck Note	109,033	-	59,303	49,730
Park Note	275,000	-	23,368	251,632
Total	<u>\$ 712,954</u>	<u>\$ -</u>	<u>\$ 212,092</u>	<u>\$ 500,862</u>

The annual principal and interest requirements for the years ending March 31, 2006 through maturity for all debts outstanding as of March 31, 2006 are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 123,354	\$ 18,567	\$ 141,921
2008	80,206	14,246	94,452
2009	80,844	11,450	92,294
2010	65,473	8,710	74,183
2011	27,878	6,417	34,295
2011 - 2015	123,107	13,364	136,471
Total	<u>\$ 500,862</u>	<u>\$ 72,754</u>	<u>\$ 573,616</u>

The Township is in compliance with all material note provisions at March 31, 2006.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 7: FUND BALANCE / NET ASSETS

DESIGNATED FUND BALANCE

The designated fund balance consists of the following:

Cemetery Perpetual Care	<u>\$ 22,380</u>
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RESTRICTED NET ASSETS

Net assets have been restricted as noted in the Statement of Net Assets according to the purpose for which the respective revenues were generated.

RESTATED BEGINNING OF THE YEAR NET ASSETS

Roscommon Township adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* effective for the year ended March 31, 2004. At that time, the Township, performed an inventory of all capital assets per the provisions of GASB Statement No. 34. At that time, a Township owned piece of land valued at approximately \$69,000 was inadvertently excluded from the Township’s capital asset listing. As a result, for the years ended March 31, 2004 and 2005, total governmental activities net assets were understated by \$69,000. For the year ended March 31, 2006, the beginning of the year net assets have been restated as follows:

March 31, 2005 governmental activities net assets (as originally reported):	\$ 2,914,324
Adjustment - additional Township owned land	<u>69,000</u>
March 31, 2006 beginning of the year net assets (as restated)	<u>\$ 2,983,324</u>

NOTE 8: OPERATING LEASE

The Township is obligated under a 48 month operating lease dated November 15, 2000 for a Xerox copier requiring payments of \$76 per month plus per copy charges.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 9: PENSION PLAN

The Township of Roscommon contributes to a pension plan which is a defined contribution pension plan administered by the Manufactures Life Insurance company.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Upon the completion of 1 year of service, all full-time and permanent part-time employees between the ages of 21-70 are eligible to participate in the plan. Contributions made by the Township and employees vest immediately. The participant will receive benefits upon termination of employment with the Township. Three Township employees are currently enrolled in the plan.

The plan requires the Township to contribute 10% of the eligible employees wages. Additionally, each participant contributes 10% of their salary. During the year the Township contributed \$5,619 to the plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 10: INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Township participated in the Michigan Township Participating Plan, a self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage.

In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other potential losses, including employee health and accident insurance.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006**

NOTE 11: COMMITMENT

In November 2002, the Township entered into a 5-year contract commencing April 1, 2003 and ending March 31, 2008 with Waste Management of Michigan, Inc. for trash collection services. The monthly fee for services is approximately \$13,420 for the first year and may increase from 3-5% in subsequent years.

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Taxes and assessments	\$ 166,731	\$ 166,731	\$ 173,997	\$ 7,266
State sources	337,800	337,800	354,260	16,460
Charges for services	129,511	129,511	127,275	(2,236)
Licenses and permits	6,040	6,040	14,907	8,867
Interest	2,000	2,000	12,636	10,636
Other revenue	48,350	59,354	33,137	(26,217)
Total revenues	690,432	701,436	716,212	14,776
Expenditures				
General government:				
Township Board:				
Salaries	7,500	7,500	7,500	-
Fringe benefits	13,400	13,400	12,981	419
MESC	1,000	1,000	97	903
Cancer, life and health insurance	58,750	58,750	60,617	(1,867)
Office supplies	4,500	4,500	4,581	(81)
Rug rental	7,906	7,906	7,774	132
Secretary	20,900	20,900	18,347	2,553
Audit	3,500	3,500	3,544	(44)
Legal fees	10,000	10,000	11,274	(1,274)
Advertising	2,500	2,500	1,768	732
Dues and membership	3,200	3,200	2,831	369
Education and training	3,000	3,000	2,096	904
Travel	2,000	2,000	3,710	(1,710)
Retirement	12,000	12,000	5,619	6,381
Postage	5,000	5,000	3,100	1,900
Insurance	8,325	8,325	6,237	2,088
Miscellaneous	20,950	19,222	4,216	15,006
Office equipment and repair	5,000	6,728	12,162	(5,434)
Total township board	189,431	189,431	168,454	20,977
Supervisor:				
Salaries	23,458	23,458	23,458	-
Travel	450	450	110	340
Total supervisor	23,908	23,908	23,568	340
Election:				
Wages	2,000	2,000	1,288	712
Office supplies	500	500	782	(282)
Travel	200	200	102	98
Equipment	-	-	-	-
Miscellaneous	1,300	1,300	621	679
Total election	4,000	4,000	2,793	1,207

TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Assessor:				
Salaries	44,388	44,388	43,726	662
Equilization charges	5,000	5,000	4,595	405
Office supplies	1,500	1,500	797	703
Postage	1,800	1,800	1,872	(72)
Technical support	1,500	1,500	1,000	500
Education and training	800	800	540	260
Miscellaneous	-	-	-	-
Total assessor	54,988	54,988	52,530	2,458
Clerk:				
Wages	22,618	22,618	22,618	-
Deputy	17,235	17,235	17,235	-
Travel	450	450	316	134
Technical support	1,200	1,200	1,758	(558)
Total clerk	41,503	41,503	41,927	(424)
Board of Review:				
Salaries	1,300	1,300	1,105	195
Advertising	140	140	109	31
Education and training	300	300	210	90
Travel	75	75	-	75
Office supplies	100	100	5	95
Total Board of Review	1,915	1,915	1,429	486
Treasurer:				
Salaries	18,208	18,208	18,208	-
Deputy treasurer wages	10,951	10,951	7,105	3,846
Administration - sewer	2,600	2,600	1,419	1,181
Equipment	500	500	312	188
Technical support	-	-	-	-
Total treasurer	32,259	32,259	27,044	5,215
Summer Tax Collection:				
Summer tax treasurer salary	4,250	4,250	4,250	-
Social security	642	642	-	642
Accountant wages	840	840	840	-
Clerical wages	3,360	3,360	3,686	(326)
Tax roll preparation	3,200	3,200	3,064	136
Travel	100	100	19	81
Retirement	840	840	840	-
Postage	1,984	1,984	1,387	597
Total summer tax collection	15,216	15,216	14,086	1,130

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Township Hall:				
Custodial supplies	2,000	2,000	1,169	831
Repair and maintenance	11,000	11,000	6,237	4,763
Mowing and plowing	2,500	2,500	1,020	1,480
Telephone	4,000	4,000	2,862	1,138
Heat	4,000	4,000	1,700	2,300
Sewer usage	720	720	720	-
Electricity	5,000	5,000	4,810	190
Hall deposit returned	5,150	5,150	6,451	(1,301)
Building additions and improvements	3,000	3,000	650	2,350
Township hall	-	-	-	-
Total Township hall	37,370	37,370	25,619	11,751
Total General Government	400,590	400,590	357,450	43,140
Public Safety:				
Ordinance Officer:				
Wages	13,812	13,812	12,183	1,629
Supplies	100	100	-	100
Travel and miscellaneous	3,400	3,400	5,308	(1,908)
Total ordinance officer	17,312	17,312	17,491	(179)
Building Agency	69,995	69,995	66,401	3,594
Zoning:				
Wages	18,000	18,000	14,861	3,139
Legal Fees	5,000	5,000	3,933	1,067
Travel	700	700	897	(197)
Advertising	2,000	2,000	753	1,247
Education and training	1,000	1,000	420	580
Postage	2,500	2,500	647	1,853
Blight enforcement	2,000	2,000	1,854	146
Total zoning	31,200	31,200	23,365	7,835
Total Public Safety	118,507	118,507	107,257	11,250
Public Works:				
Roads	1,000	1,000	39	961
Street lights	28,100	39,104	37,821	1,283
Total Public Works	29,100	40,104	37,860	2,244

TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Health and Welfare - Cemetery:				
Wages	15,172	15,172	16,175	(1,003)
Electricity	450	450	150	300
Repairs and Improvements	11,000	11,000	9,309	1,691
Snowplowing	1,000	1,000	1,025	(25)
Miscellaneous	2,750	2,750	1,941	809
Total Health and Welfare	30,372	30,372	28,600	1,772
Airport				
Wages	1,236	1,236	1,236	-
Insurance - Airport Liability	2,500	2,500	1,960	540
Telephone	-	-	-	-
Heat	1,000	1,000	663	337
Electric	1,000	1,000	451	549
Sewer Usage	180	180	180	-
Improvements	4,000	4,000	2,024	1,976
Maintenance	2,400	2,400	1,215	1,185
Total Airport	12,316	12,316	7,729	4,587
Parks and Recreation				
Wages - Park	6,906	6,906	7,037	(131)
Improvements	45,500	45,500	252	45,248
Equipment Repair and Maintenance	2,000	2,000	101	1,899
Utilities	200	200	62	138
Travel	2,700	2,700	950	1,750
Milfoil Assessment	-	-	-	-
Miscellaneous	4,100	4,100	8,541	(4,441)
Total Parks and Recreation	61,406	61,406	16,943	44,463
Debt Service:				
Principal payments	31,091	31,091	102,290	(71,199)
Interest expense	-	-	14,992	(14,992)
Total Debt Service	31,091	31,091	117,282	(86,191)
Capital Outlay	5,500	5,500	6,979	(1,479)
Total Expenditures	688,882	699,886	680,100	19,786
Net Change in Fund Balance	1,550	1,550	36,112	34,562
Fund Balance - Beginning of Year	485,933	485,933	485,933	-
Fund Balance - End of Year	\$ 487,483	\$ 487,483	\$ 522,045	\$ 34,562

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE OPERATING FUND
MARCH 31, 2006**

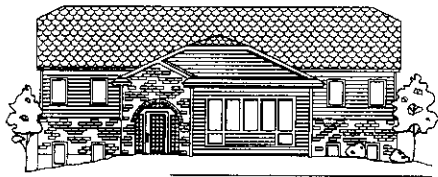
	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Taxes and assessments	\$ 186,661	\$ 186,661	\$ 194,023	\$ 7,362
Interest income	500	500	10,844	10,344
Other	-	-	3,300	3,300
Total revenues	187,161	187,161	208,167	21,006
Expenditures				
Wages	77,500	77,500	66,895	10,605
Fringe benefits	12,930	12,930	9,292	3,638
Supplies	7,500	7,500	4,874	2,626
Equipment maintenance	13,500	13,500	9,253	4,247
Building maintenance	6,500	6,500	1,507	4,993
Administration fee to general fund	2,000	2,000	2,000	-
Audit	1,800	1,800	1,444	356
Technical support	600	600	115	485
Dues and memberships	600	600	395	205
Education and training	5,000	5,000	2,789	2,211
Travel	2,000	2,000	2,467	(467)
Insurance - liability	12,000	12,000	12,000	-
Insurance - workers comp	5,000	5,000	4,541	459
Utilities and communications	9,760	9,760	7,622	2,138
Capital outlay	18,000	18,000	58,369	(40,369)
Miscellaneous	26,300	26,300	218	26,082
Total expenditures	200,990	200,990	183,781	17,209
Net Change in Fund Balance	(13,829)	(13,829)	24,386	38,215
Fund Balance - Beginning of Year	415,931	415,931	415,931	-
Fund Balance - End of Year	\$ 402,102	\$ 402,102	\$ 440,317	\$ (38,215)

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRASH FUND
YEAR ENDED MARCH 31, 2006**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Taxes and assessments	\$ 187,298	\$ 187,298	\$ 189,800	\$ 2,502
Interest income	100	100	5,036	4,936
Other	1,200	1,200	1,241	41
Total revenues	188,598	188,598	196,077	7,479
Expenditures				
Wages	12,500	12,500	10,852	1,648
Fringe benefits	950	950	830	120
Hazardous waste	1,000	1,000	1,000	-
Contracted services	179,500	179,500	177,062	2,438
Equipment maintenance	2,500	2,500	905	1,595
Repairs and maintenance	1,250	1,250	-	1,250
Utilities and communications	2,350	2,350	1,544	806
Insurance - liability	1,300	1,300	1,300	-
Insurance - workers comp	700	700	588	112
Equipment	1,500	1,500	-	1,500
Miscellaneous	35,048	35,048	1,990	33,058
Total expenditures	238,598	238,598	196,071	42,527
Net Change in Fund Balance	(50,000)	(50,000)	6	50,006
Fund Balance - Beginning of Year	239,530	239,530	243,123	(3,593)
Fund Balance - End of Year	<u>\$ 189,530</u>	<u>\$ 189,530</u>	<u>\$ 243,129</u>	<u>\$ 53,599</u>

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD FUND
YEAR ENDED MARCH 31, 2006**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenue				
Taxes and assessments	\$ 62,500	\$ 62,500	\$ 64,987	\$ 2,487
Interest income	-	-	4,726	4,726
Miscellaneous	4,000	4,000	3,564	(436)
Total revenues	66,500	66,500	73,277	6,777
Expenditures				
Maintenance	182,500	182,500	70,031	112,469
Miscellaneous	1,000	1,000	754	246
Debt service:				
Bond repayment	58,000	58,000	50,500	7,500
Interest expense	-	-	7,500	(7,500)
Total expenditures	241,500	241,500	128,785	112,715
Net Change in Fund Balance	(175,000)	(175,000)	(55,508)	(119,492)
Fund Balance - Beginning of Year	238,959	238,959	238,959	-
Fund Balance - End of Year	<u>\$ 63,959</u>	<u>\$ 63,959</u>	<u>\$ 183,451</u>	<u>\$ (119,492)</u>



Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

May 19, 2006

To the Township Board
Township of Roscommon, Roscommon County

We have audited the financial statements of Roscommon Township for the year ended March 31, 2006, and have issued our report thereon dated May 19, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Roscommon Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Roscommon Township are described in the notes to the financial statements.

We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached pages summarizes the adjustments that were proposed to management and made to the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

The accounting records for the activity with the Houghton Lake Sewer Authority were poorly organized and the posting of various revenue and expense items were not recorded consistently throughout the year. We spent a considerable amount of time reconciling and adjusting the sewer accounts.

Comments and Recommendations

In planning and performing our audit of the financial statements of Roscommon Township, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit procedures, we became aware of certain matters that represent opportunities for strengthening internal controls and operating efficiency. The following comments and recommendations should be implemented to the extent possible in order to strengthen internal controls and operating efficiency.

- Roscommon Township currently accounts for both revenue and expenses on the cash basis of accounting whereby transactions are recorded based upon when the corresponding cash is received or paid by the Township. The State of Michigan requires all local units of government to comply with generally accepted accounting principles, which requires the use of modified accrual accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available with available being defined as received within 60 days. Expenses are recorded when the liability is incurred meaning at the point of which the Township is liable for the purchase regardless of when the expense is paid.

We have been able to adjust the Township's cash basis accounting records to modified accrual during our audit process by proposing adjusting journal entries to the Township's management. However, as the Township continues to grow the adjustments necessary to conform to the modified accrual basis of accounting are increasing.

We have discussed with the Township clerk the additional procedures necessary to perform the daily accounting on the modified accrual basis of accounting. We recommend that the Township begin to account for all transactions on the modified accrual basis of accounting.

- All payroll taxes are currently expensed to the "Township Board" general ledger account number. Payroll taxes should be allocated to all activities that receive wages (ie. Clerk, Treasurer, Supervisor, Township hall, etc). We recommend that the Township allocate payroll tax expense to all applicable activities annually as of year-end.
- The accounting performed related to the transactions with the Houghton Lake Sewer Authority were poorly organized and resulted with us spending a considerable amount of time in reconciling the various accounts. We discussed the importance of recording transactions consistently in the same general ledger accounts with various Township employees involved in the accounting function. We recommend that those involved in the accounting function of the sewer activities record transactions consistently throughout the year.

We hope that you find the above comments and recommendations useful. We are available to discuss these items in further detail with you at your convenience.

This information is intended solely for the information of the Township Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Keskin, Cook, Miller & Alexander LLP